

Morris K. Udall Foundation

CIVILITY, INTEGRITY, CONSENSUS



performance and accountability **report** for fiscal year

2005

Table of Contents

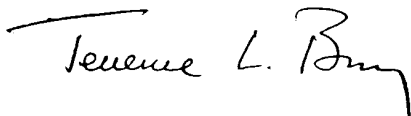
Message from the Chairman of the Board	1
Message from the Director	2
Message from the Chief Financial Officer	3
Management Discussion and Analysis	4
Annual Program Performance	17
Independent Auditor's Reports and Financial Statements	37

FY 2005 Performance and Accountability Report

Looking back on 10 years of operation, I am pleased to report that the Foundation continues to raise the bar on its performance goals and to meet or exceed virtually all measures. It is a testament to the ingenuity and work ethic of the Foundation's staff that the Foundation has been able to leverage modest funding levels into programs with nationwide impact.

In addition, I am pleased to report that the Foundation received an unqualified ("clean") opinion for FY 2005, which assures Congress, the general public and others that the financial statements contained in this report accurately reflect the financial health of the Foundation.

The Board extends its thanks to those who have provided support to the Foundation and believes this performance and accountability report justifies the continued support of our operations.



Terrence L. Bracy
Chairman of the Board

FY 2005 Performance and Accountability Report

As in previous years, the Foundation's dedicated, mission-driven staff has continuously improved operations while providing exemplary services at a very reasonable cost to the public. Overall, nearly all goals were met and many were exceeded. While this report quantifies many of the outstanding achievements of the Foundation's staff, there are many beneficial results that are observable but not easily quantified. It is the sum total of these results which make the Foundation unique.

I refer you to the attached Management Discussion and Analysis for a summary of the Foundation's mission, goals and accomplishments, as well as financial data for FY 2005. The financial and performance data included in the report are reliable and complete.

I am pleased to note that the Foundation received an unqualified ("clean") opinion for FY 2005, and that no material inadequacies were identified by the independent auditor. This excellent result assures the Congress and the public that the financial information presented is accurate and reliable. I am also pleased to report that the necessary management controls are in place. As the independent auditors have suggested, the Foundation will continue to refine its financial systems to comply with government-wide standards.



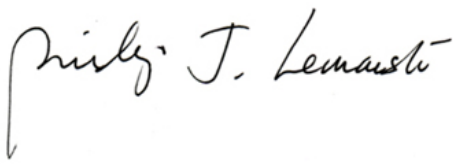
Christopher L. Helms
Executive Director

FY 2005 Performance and Accountability Report

The Morris K. Udall Foundation received an unqualified (“clean”) opinion for FY 2005 audit. The audit found no material weaknesses.

The independent auditors had one finding for FY 2005: The annual financial statements prepared by the U.S. General Services Administration (GSA) omit some year-end adjustments necessary to comply with accrual-based accounting. Substantial progress toward minimizing year-end adjustments was made in FY 2005. GSA and the Foundation continue to work cooperatively to further improve the year-end adjustment process. The Foundation appreciates the extraordinary efforts made by GSA toward these improvements.

During FY 2005, the Foundation significantly improved its in-house financial database and financial procedures in order to reduce processing time for all financial transactions. As a result, for example, half the time is required to process contracts and contract payments. During FY 2006, the Foundation will continue to refine its financial database to enhance the real-time financial data available to program staff.



Philip J. Lemanski
Chief Operating Officer
and Director of Education Programs

Management Discussion and Analysis

Mission and Organizational Structure

THE MORRIS K. UDALL FOUNDATION

Mission

In 1992, Congress created the Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation¹. In 1998, Congress amended the enabling legislation to create the U.S. Institute for Environmental Conflict Resolution as a program of the Udall Foundation². Congress again modified the Udall Foundation's enabling legislation in 2000, authorizing management and leadership training, assistance and resources for policy analysis, and other appropriate activities related to Native American health care and tribal leadership³. All of this authorizing legislation is codified at 20 U.S.C. Sections 5601-5609.

The law gives governing authority for the Foundation to a Board of Trustees, appointed by the President with the advice and consent of the U.S. Senate.

The purposes, as set forth in the law, of the Morris K. Udall Foundation are to:

- increase the awareness of the importance of and promote the benefit and enjoyment of the nation's natural resources.
- foster a greater recognition and understanding of the role of the environment, public lands and resources in the development of the U.S.

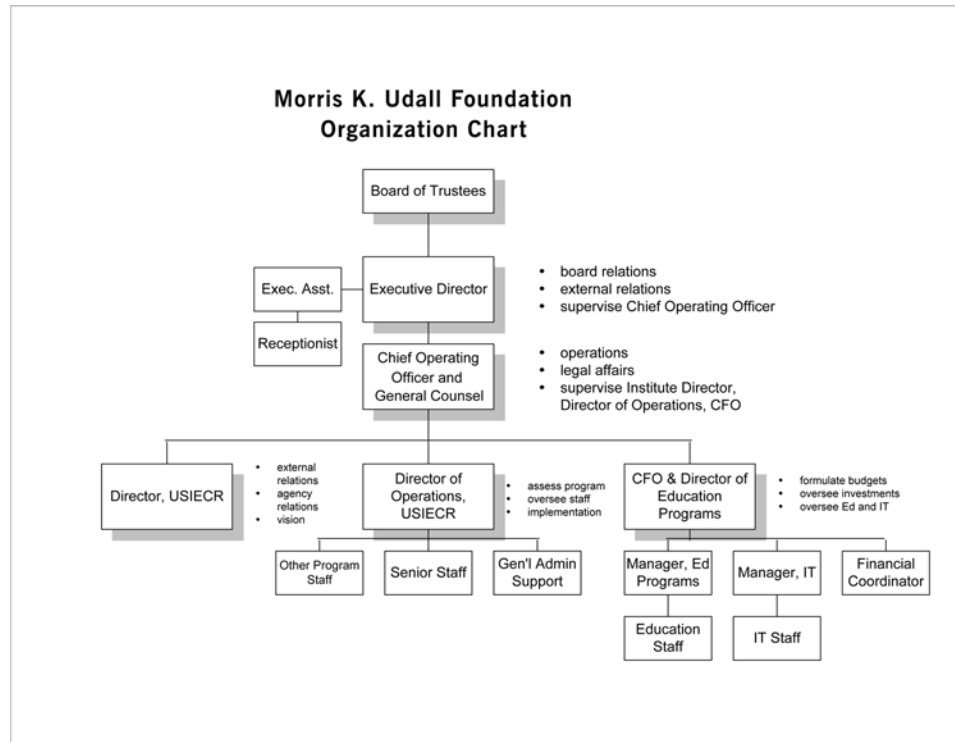
¹ Morris K. Udall Scholarship and Excellence in National Environmental and Native American Public Policy Act of 1992, Public Law 102-259.

² Environmental Policy and Conflict Resolution Act of 1998, Public Law 105-156.

³ Omnibus Indian Advancement Act, Public Law 106-568, Section 817.

- identify critical environmental issues.
- develop resources to properly train professionals in the environmental and related fields.
- provide educational outreach regarding environmental policy.
- develop resources to properly train Native American and Alaska Native professionals in health care and public policy, by conducting management and leadership training of Native Americans, Alaska Natives, and others involved in tribal leadership, providing assistance and resources for policy analysis, and carrying out other appropriate activities.
- establish the U.S. Institute for Environmental Conflict Resolution to assist the federal government in implementing section 101 of NEPA by providing assessment, mediation, and other related services to resolve environmental disputes involving federal agencies.

Shown below is the current organizational chart for the agency.



Organizational Structure

The Foundation is organized into two distinct program areas: education programs and the U.S. Institute for Environmental Conflict Resolution. In FY 2005, the Foundation had 29 FTEs, all based in Tucson.

Education Programs

The Foundation is authorized to award scholarships, fellowships, internships and grants for educational purposes. The specific areas permitted by the law are:

- Scholarships for college undergraduates in two areas – 1) to those who intend to pursue careers related to the environment and 2) Native Americans and Alaska Natives who intend to pursue careers in health care and tribal public policy.
- Internships, including awards to Native American and Alaska Native individuals participating in internships in federal, state and local agencies or in offices of major public health or public policy organizations.

- Fellowships to graduate students pursuing advanced degrees in fields related to the environment and to Native American and Alaska Native graduate students in health care and tribal public policy, including law and medicine.
- Grants to the Udall Center for Studies in Public Policy at the University of Arizona, for various purposes including research on environmental policy, Native American and Alaska Native health care issues and tribal public policy issues.

All of the above education programs are funded by the annual income from the Trust Fund. The annual income is specifically allocated by the law, as follows: at least 50 percent for scholarships, internships and fellowships; at least 20 percent for grants to the Udall Center; and a maximum of 15 percent for salaries and other administrative costs. Parks in Focus and other activities are funded from the remaining 15 percent of Trust Fund income.

One of the Foundation's purposes is to develop resources to properly train Native American and Alaska Native professionals in health care and public policy by developing management and leadership training of those involved in tribal leadership and providing assistance and resources for policy analysis.

In connection with this purpose, the Udall Foundation co-founded the Native Nations Institute for Leadership Management and Policy with the University of Arizona in 2000. NNI provides executive management and leadership training to tribal leaders, as well as policy analysis. Congress has authorized the Udall Foundation to transfer a portion of its Trust Fund appropriations in each of fiscal years 2001 through 2005 for the purposes of NNI. The Foundation has transferred a total of \$2.75 million over that period to NNI.

The U.S. Institute for Environmental Conflict Resolution

The U.S. Institute for Environmental Conflict Resolution provides services such as assessment, mediation, and training to resolve environmental disputes involving the federal government. Congress has provided annual operating appropriations for the U.S. Institute every year since fiscal 1999. The U.S. Institute is also authorized to collect and retain fees for services it provides.

Performance Goals, Objectives and Results

Performance Goals

The Foundation has two overarching strategic goals with associated objectives that contribute to the Foundation's efforts to meet its mission.

These strategic goals and objectives are:

Strategic Goal 1: Provide educational opportunities to promote careers related to environmental policy and natural resources, Native American health care, and Native American tribal policy.

Objective Goal1a: Increase educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships.

Objective Goal1b: Increase educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.

Strategic Goal 2: Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities.

Objective Goal 2a: Resolve environmental conflicts and improve environmental decision making by increasing the appropriate use of ECR through U.S. Institute case services.

Objective Goal 2b: Resolve environmental conflicts and improve environmental decision making by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.

Objective Goal 2c: Resolve environmental conflicts and improve environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.

Detailed performance measures, targets and timeframes are defined for each goal.

Performance Results

Education Activities

FY 2005 objectives for education opportunities (Strategic Goal 1) focused on:

Objective Goal1a. Increasing educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships.

The Foundation met all of its FY 2005 scholarship and fellowship objectives. Over 80 undergraduate scholarships of up to \$5,000 each, 50 honorable mention awards of \$350 each, and two dissertation fellowships of \$24,000 each were awarded during FY 2005. More than 90% of scholars and fellows reported they received a quality educational experience in their program activities and interactions with the Foundation. Higher education institutions appointed more than 850 faculty representatives to guide and advise students on Udall scholarship opportunities, exceeding the Foundation's FY 2005 target by 150 representatives. The Foundation also met its FY 2005 target for the Parks in Focus program.

Objective Goal1b. Increasing educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.

A significant part of the Foundation's mission is to provide educational resources for Native Americans and Alaska Natives related to health care and tribal public policy, with a particular focus on management and leadership training for those involved in tribal leadership, assistance and resources for policy analysis, and related activities. The Foundation met its FY 2005 objective by (a) providing quality summer internship opportunities to 12 Native American and Alaska Native students in Congressional offices and agencies that provided a comprehensive legislative experience to the interns, and (b) by creating and testing executive education curriculum for newly elected tribal councilors and chairs to build their capacity in tribal governance and nation building.

Environmental Conflict Resolution Activities

FY 2005 objectives for environmental conflict resolution (Strategic Goal 2) focused on:

Objective Goal 2a. Resolving environmental conflicts and improving environmental decision making by increasing the appropriate use of ECR through U.S. Institute case services.

The U.S. Institute met its performance target to increase case consultation and management services that enabled federal agencies and other affected stakeholders to effectively engage in ECR. These services include early advice, consultation and convening services that are necessary to begin a conflict resolution process but are generally not reimbursable. The U.S. Institute also met targets or demonstrated an increase in performance over prior years in key service areas (e.g., referrals, assessments, agreement-seeking mediations). During FY 2005, considerable improvements were made in how the U.S. Institute measures and reports on performance; some challenges remain and efforts are under way to overcome these challenges in FY 2006.

Objective Goal 2b. Resolving environmental conflicts and improving environmental decision making by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.

Two major activities were undertaken in connection with this goal. They included programmatic support services (e.g., assistance with designing federal ECR programs) and stakeholder capacity building services (e.g., trainings). The U.S. Institute generally met its goals, with the exception of trainings for which actual performance was 1% lower than target. The U.S. Institute has taken steps to improve performance, including fully implementing an improved evaluation system to promote performance accountability and reflective practice.

Objective Goal 2c. Resolving environmental conflicts and improving environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.

Four major activities were undertaken in connection with objective 2c, and performance targets were generally met. (1) The U.S. Institute assisted the Chair of the Council on Environmental Quality in the development of a framework to engage leadership throughout the federal government to discuss ways to more systematically prevent and reduce environmental conflict. (2) The U.S. Institute has begun the task of implementing selected recommendations of the National Environmental Conflict Resolution Advisory Committee regarding use of collaborative processes to enhance achievement of policy objectives contained in Section 101 of the National Environmental Policy Act. (3) The U.S. Institute hosted Federal ECR Roundtable discussions as well as the Fourth National Conference on Environmental Conflict Resolution. These were designed to share ECR experiences and foster better understanding of ECR principles and practices to enhance the overall effectiveness of ECR processes. (4) Through interagency service agreements, the U.S. Institute continued to provide mechanisms for agencies to access collaborative problem solving and dispute resolution services.

Analysis of Financial Statements and Stewardship Information

Introduction and Analysis of Statements

The Federal Accounting Standards Advisory Board requires that the agency's financial statement reports be displayed in several formats. The annual financial statements include a Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, Statement of Financing, and related notes. The statements are in addition to the internal financial reports to management which are prepared from the same data.

The statements combine data for both the Trust Fund and the U.S. Institute for Environmental Conflict Resolution (USIECR), however, the Trust Fund and USIECR receive separate appropriations, and the appropriations are deposited into separate funds. Although both funds invest available balances in Treasury obligations, they differ in how they may be spent: USIECR's appropriations remain available until expended and are used for annual operations; the appropriations for the Trust Fund

are added to principal and invested, and only the income may be used to fund the Foundation's educational programs.

Public Law 102-259 authorized appropriations of \$40 million for the Foundation Trust Fund. The initial appropriation in 1994 was approximately \$19.9 million; from FY 1998 through FY 2005, Congress appropriated another \$13.7 million, for a total appropriation to date of approximately \$33.6 million. The Trust Fund is invested by law in Treasury obligations.

As mentioned earlier, the USIECR has received annual operating appropriations of approximately \$1.3 million each year since inception (FY 1999). USIECR also received a one-time start-up appropriation of \$3 million.

Balance Sheet

The Balance Sheet provides a "snapshot" of the Foundation's financial condition as of the end of the fiscal year. The Assets category includes both long-term investments and balances with Treasury that are invested on a monthly basis.

Overall, assets grew by approximately \$900,000 (2.67%), while liabilities increased by \$183,214. Most of the increase in liabilities was due to an increase in the Institute's accounts payable.

The vast majority of the Total Assets shown on the balance sheet are Trust Fund investments, both short and long term (itemized as Fund Balance with Treasury and Investments, respectively). Because annual appropriations (\$1.996 million less a rescission of approximately \$15,968 in FY 2005) to the Trust Fund may not be spent, but must be invested, these appropriations increased the fund balance in FY 2005.

Since USIECR has not spent all of its one-time start-up appropriation, the balance is invested on a monthly basis and therefore included in assets. In addition, the Institute is authorized to collect and retain fees from federal agencies for its work. All available balances are invested monthly.

Statement of Net Cost

The statement displays the respective total expenses, net of earned revenues. Overall, the net cost of operations increased by approximately \$1.55 million in FY 2005. The increase was the result of a sharp increase in expenses related to the Institute's triennial ECR conference, which has become an important marketing opportunity for the Institute, an increase in project costs resulting from an increase in the cost of external service providers, an increase in operating costs due to additional staff and a reduction of nearly \$745,000 in earned revenue. It is relevant to note that earned revenue nearly tripled in FY 2004, therefore, the FY 2005 revenues continue to be much greater than FY 2003 and previous years. Revenues include funds received by the Foundation in a grant from the Hewlett Foundation for work in connection with the U.S. Institute's evaluation program.

The cost of the Education Programs remained nearly unchanged from the previous year.

Of the total Trust Fund budget, approximately 85% of total expenses were related to Education Programs. Of the Institute's budget, 46% was for operations and 54% was for project and program development costs.

Statement of Changes in Net Position

Overall, the ending balances increased in FY 2005 by \$716,526. Appropriations to the Trust Fund and the Institute were the same as the previous year. Trust Fund interest did not change significantly from FY 2005.

Statement of Budgetary Resources

The statement provides information to help assess budget execution and compliance with budgetary accounting rules. This statement provides information on total budgetary resources available, the status of those resources, and outlays. This statement is prepared on an "obligation" basis as opposed to the accrual basis of accounting for most other statements. Net outlays increased approximately 30% as a result of the Institute's disbursements.

Combined Statement of Financing

This statement shows the relationship of budgetary obligations (Statement of Budgetary Resources) to costs recorded in the Statement of Net Cost. As indicated above, the Institute's expenses increased due to its triennial conference and other expense increases, and earned revenue lagged behind the prior year.

Controls, Systems, and Legal Compliance

Financial Audit

The Foundation had its second independent audit of all financial statements in FY 2005. The audit provides additional assurance to its constituents, to Congress, and to the Foundation's Chief Financial Officer that the Foundation's financial transactions and management practices are in keeping with established laws, regulations, and practices.

The Foundation received unqualified opinions ("clean") for both FY 2004 and FY 2005.

Auditor's Material Finding (FY 2005)

The independent auditors identified no material weakness in the financial reporting during their audit for the year ended September 30, 2005.

The Federal Financial Management Improvement Act (FFMIA) of 1996 requires auditors to report on whether agencies' financial management systems substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger at the transaction level.

The auditors have reported that their tests disclosed instances where the Foundation's financial management systems did not substantially comply with requirements stated in the preceding paragraph.

Condition

The U.S. General Services Administration's (GSA) Finance Center, a federal financial management center of excellence, performs necessary payroll and financial services for the Foundation. Examples of the services are: Furnishing all necessary payroll support functions; receipt and disbursement of funds; financial reporting and related accounting functions; and execution of all investments in Treasury obligations, the only investment vehicle available to the Foundation. The audit considers GSA to be part of the Foundation's management.

The audit identified one reportable condition in the Foundation's financial reporting process. The auditors suggest further refinement of the Foundation's accounting system.

Corrective Actions

Since last year's audit, GSA and the Foundation have made considerable efforts to improve communications and data flow with excellent results. Management is very pleased with the level of service provided by GSA. As the audit report points out, there remain areas for improvement. Management expects continuous improvement in financial processes and is confident that all necessary steps have been taken to follow the recommendation of the audit and to achieve further improvement.

Possible Future Effects of Existing Events and Conditions

Future Effects and Trend Data

Since most of the Trust Fund balance is invested in long-term obligations, short-term fluctuations in interest rates are not a major factor in estimating annual investment income. The current income stream is sufficient for existing programs; however, costs will continue to escalate due to inflation. If the Trust Fund does not receive annual appropriations to offset rising costs, Education Programs could suffer (as noted earlier, by law 85% of income is allocated to programs).

Although the Institute charges fees for all ECR cases and projects that develop beyond the initial consultation stage, it relies upon a baseline appropriation to support its operations. Since the Institute has a statutory obligation to use the services of neutrals in the geographic area of the dispute when feasible, and because use of contracted service providers leverages the effort of the small staff and enables the Institute to work on a far larger number of cases and projects, the majority of project revenue -- approximately 70% to 80% (with the exact percentage each year depending on the relative levels of contracted services on projects versus Institute staff services -- passes through to contracted neutrals. The portion retained is not sufficient to maintain operations.

There are, therefore, two unknowns that could adversely affect operations -- a significant reduction of its baseline appropriation or a sharp reduction in fees due to the inability of agencies to pay. If agency budgets are significantly reduced, many may opt to utilize available dollars for non-environmental conflict resolution work. The Institute has already seen evidence that agencies have fewer budget dollars available for project work. The Institute is continuing efforts to reach out to a broader array of agencies in order to reduce the likelihood of downward swings in the Institute's overall earned revenue. Such diversification will reduce the potential for sudden drops in earned revenue, all other factors being held constant.

Limitations of the Financial Statements

The enclosed principal financial statements have been prepared to report the financial position and results of operations of the Foundation, as required by 31 U.S.C. 3515(b). The statements have been prepared from the books and records of the Foundation in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget. These financial statements are in addition to other financial reports used to monitor and control budgetary resources that are also prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources to do so.

Morris K. Udall Foundation

FY 2005 Performance Results

Background

The mission of the Morris K. Udall Scholarship and Excellence in National Environmental Policy Foundation, an independent agency of the executive branch, is established by its enabling legislation, codified at 20 U.S.C. 5601 et seq. The law focuses the Foundation's programs in two major areas:

- *Providing educational opportunities* related to environmental policy, Native American health care, and Native American tribal policy, and
- *Assisting to resolve environmental disputes that involve federal agencies* through mediation and related services.

To meet its education mission, the Foundation administers a national scholarship and fellowship program, conducts a summer Native American internship program in Washington, D.C., and supports the Native Nations Institute, which provides executive and leadership training and policy analysis assistance for American Indian Tribes. The Foundation also sponsors "Parks in Focus," a program intended to foster an interest in and appreciation for the environment and natural resources in young people through photography-centered visits to national parks.

The Foundation's environmental conflict resolution mission is addressed by the U.S. Institute for Environmental Conflict Resolution, a Foundation program created by Congress in 1998 to provide mediation, facilitation, training and related services to assist in resolving environmental, natural resources, and public lands conflicts involving federal agencies. The Institute's mission complements the policy established by President Bush's Executive Order on Facilitation of Cooperation Conservation (August 26, 2004). As an independent, third-party neutral, the U.S. Institute is able to assist all parties (private-sector entities, state, local and tribal governments, and federal agencies) to collaborate more effectively on decisions affecting the environment and natural resources.

The Foundation has two overarching strategic goals, each with associated objectives and performance goals that contribute to the Foundation's efforts to meet its mission (Table 1).

Table 1. Foundation's Goals

Strategic Goal 1 (Education Mission) Provide educational opportunities to promote careers related to environmental policy and natural resources, Native American health care, and Native American tribal policy.	
Objective Goal 1a Increase educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships.	Objective Goal 1b Increase educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.
<p><u>Scholarships and Fellowships</u></p> <p><i>Performance Goal 1:</i> Increase the number of higher education institutions dedicating faculty representatives to guide and advise students on Udall scholarship opportunities, so that students have more opportunities to learn about and compete for scholarship awards.</p> <p><i>Performance Goal 2:</i> Increase award opportunities for students pursuing careers related to the environment, and tribal public policy and health care.</p> <p><i>Performance Goal 3:</i> Increase the percent of scholarship and fellowship recipients who report they are satisfied they received a quality educational experience in their interactions and program activities with the Foundation.</p> <p><i>Performance Goal 4:</i> Increase the response rates from past fellowship recipients regarding whether they continue careers related to the environment.</p> <p><u>Parks in Focus</u></p> <p><i>Performance Goal 5:</i> Formalize the curriculum for the Parks in Focus program that provides opportunities for disadvantaged youth, ages 9-12, to develop an appreciation for the environment and natural resources through the art of photography during outings in national parks and other natural areas.</p>	<p><u>Native American Congressional Internship Program</u></p> <p><i>Performance Goal 1:</i> Establish baseline in order to measure outreach to faculty with access to Native American students and to tribal community colleges and universities.</p> <p><i>Performance Goal 2:</i> Provide 12 summer internship opportunities for Native American and Alaska Native students in Congressional offices and agencies that provide a comprehensive legislative experience to the interns.</p> <p><i>Performance Goal 3:</i> Increase the percentage of interns who report they are satisfied they received a quality educational experience through the Native American Congressional Internship Program.</p> <p><u>Native Nations Institute for Leadership, Management, and Policy</u></p> <p><i>Performance Goal 4:</i> Develop and test executive education curriculum tailored to needs of newly elected tribal councilors and chairs.</p>

Strategic Goal 2 (Environmental Conflict Resolution Mission) Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities.		
Objective Goal 2a <i>Resolve environmental conflicts and improve environmental decision making by increasing the appropriate use of ECR through U.S. Institute case services.</i>	Objective Goal 2b <i>Resolve environmental conflicts and improve environmental decision making by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.</i>	Objective Goal 2c <i>Resolve environmental conflicts and improve environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.</i>
<u>Case Consultation Services</u> <i>Performance Goal 1: Increase the case consultation and management services provided to stakeholders seeking the resolution of conflicts through the appropriate use of ECR.</i>	<u>Build Institutional Capacity within the Federal Government</u> <i>Performance Goal 1: Increase the number of Dispute Systems Designs (programmatic support services - systems design and program development work) to more effectively prevent and manage recurring types or classes of environmental disputes.</i> <i>Performance Goal 2: Increase the percentage of federal agency representatives who report the Dispute Systems Designs (programmatic support - systems design and program development work) provided by the U.S. Institute has improved the effectiveness of their ECR efforts.</i>	<u>Establish Principles for Collaborative Problem-Solving</u> <i>Performance Goal 1: Create "Basic Principles for Agency Engagement in Collaborative Problem Solving and Environmental Conflict Resolution" from agencies involved in "CEQ Initiative to Foster Collaborative Problem Solving and Environmental Conflict Resolution."</i>
<u>Case Assessment Services</u> <i>Performance Goal 2: Increase the percentage of assessments for which the majority of stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.</i>	<u>Build Capacity at a Stakeholder Level</u> <i>Performance Goal 3: As a result of informal education and experience of stakeholders in mediations and facilitations managed by the U.S. Institute, in 85% of cases, stakeholders report an increased capacity to manage and resolve future challenges/conflicts.</i> <i>Performance Goal 4: Increase the percent of participants who experience an ECR training and report what they take away from the training will have a very positive impact on their effectiveness in the future.</i>	<u>Provide leadership within the Federal Government to improve ECR practices and outcomes</u> <i>Performance Goal 2 - Lead quarterly Federal ECR Roundtable discussions to provide federal agency alternative dispute resolution administrators and staff opportunities to review and critique past performance and share and discuss opportunities for innovative use and improved use of ECR.</i>
<u>Mediation and Facilitation Services</u> <i>Performance Goal 3: Increase the percentage of mediations and facilitations for which the majority of responding stakeholders report full or partial agreement was reached or progress was made towards addressing the issues or resolving the conflict.</i>		<u>Increase Collaborative Decision-Making Regarding NEPA</u> <i>Performance Goal 3 - Disseminate recommendations of National Environmental Conflict Resolution Advisory Committee regarding use of collaborative processes to enhance achievement of policy objectives contained in NEPA Section 101.</i>
<u>National Roster - Referral Services</u> <i>Performance Goal 4: Increase the percent of those using ECR practitioner referral services who report the roster gives them confidence they have identified a sufficient array of mediators with appropriate experience to assist them in resolving their conflict.</i> <i>Performance Goal 5: Increase to 130 the number of searches to locate qualified ECR practitioners using the Roster.</i> <i>Performance Goal 6: In over 90% of mediations and facilitations managed by the U.S. Institute, the participants report they are satisfied with the services provided by the practitioners.</i>		<u>Service Agreements</u> <i>Performance Goal 4 - Increase the number of service agreements and memoranda of understanding in place with other agencies.</i>

Performance Results

Strategic Goal 1 (Education Programs): Provide educational opportunities to promote careers related to environmental policy and natural resources, Native American health care, and Native American tribal policy.

Objective Goal 1a: Increase educational opportunities that promote understanding and appreciation of the environment, environmental policy, natural resources and public lands through scholarships and fellowships.

Scholarships and Fellowships

Provide merit-based awards for (1) undergraduate scholarship recipients who intend to pursue careers related to the environment, and Native American and Alaska Native scholarship recipients who intend to pursue careers in tribal public policy and health care, and (2) Ph.D. candidate award recipients whose dissertations focus on topics related to U.S. environmental policy and/or conflict resolution. The Udall scholarship is by nomination only: the designated Udall Faculty Representative at higher education institutions must nominate students.

Performance Goal 1

Increase the number of higher education institutions dedicating faculty representatives to guide and advise students on Udall scholarship opportunities, so that students have more opportunities to learn about and compete for scholarship awards.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	603
	FY2004	N/A	655
	FY2005	700	850

The Udall scholarship process requires that candidates be nominated for an award by their college or university. To increase the opportunity for students to compete for Udall scholarships, the Foundation emphasizes development of a strong network of faculty advisors to nominate the top one or two students from a given college or university.

The achievement of Performance Goal 1 in FY 2005 is attributed to the increased recruitment activities undertaken by Foundation staff, including personal contacts during visits to colleges and universities and academic conferences, e-mail contacts and mailings.

Performance Goal 2

Increase award opportunities for students pursuing careers related to the environment, and tribal public policy and health care. (a) <i>Undergraduate</i> Scholarships (b) <i>Undergraduate</i> Honorable Mention Awards (c) <i>Graduate</i> Fellowships	Fiscal Year	Annual Target			Actual Performance		
		(a)	(b)	(c)	(a)	(b)	(c)
	FY2003	80	30	2	80	30	2
	FY2004	80	30	2	80	50	2
	FY2005	80	50	2	81	50	2

Performance Goal 3

Increase the percent of scholarship and fellowship recipients who report they are <i>satisfied</i> they received a quality educational experience in their interactions and program activities with the Foundation.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	90%	90%
	FY2005	>90%	99%

Performance Goal 4

Increase the response rates from past fellowship recipients regarding whether they continue careers related to the environment.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	80%
	FY2004	N/A	85%
	FY2005	90%	>90%

Performance Goals 2, 3 and 4 focuses on the number of award opportunities and the quality of the educational experience provided to scholars. As detailed in the graphic representation above, the Foundation exceeded the FY 2005 annual targets for scholarships and fellowships.

Parks in Focus Program

Performance Goal 5

Provide opportunity for disadvantaged youth, ages 9-12, to develop an appreciation for the environment and natural resources through the art of photography during outings in national parks and other natural areas. FY 2005 - Formalize the curriculum for the Parks in Focus program.	Fiscal Year	Annual Target	Actual Performance
	FY2003	12	12
	FY2004	12	12
	FY2005	12	12
		Formalize Curriculum	Curriculum Formalized

Performance Goal 5 focuses on (a) the number of disadvantaged youth afforded the opportunity to develop an appreciation for the environment and natural resources through the art of photography during outings to national parks and other natural areas, and (b) the formalization of the curriculum for this program. As detailed in the graphic representation above, the Foundation met the FY 2005 annual targets for this program.

Objective Goal 1b: Increase educational opportunities for Native Americans and Alaska Natives in health care and tribal public policy.

A significant part of the Foundation's mission is to provide educational resources for Native Americans and Alaska Natives related to health care and tribal public policy, with a particular focus on management and leadership training for those involved in tribal leadership, assistance and resources for policy analysis, and related activities.

Native American Congressional Internship Program

The Native American Congressional Internship Program provides quality opportunities for Native American and Alaska Native students to build their leadership skills by gaining practical experience in the federal legislative process, Congressional matters, and governmental proceedings through internships at Congressional offices and agencies in Washington, D.C.

Performance Goal 1

Establish baseline in order to measure outreach to faculty with access to Native American students and to tribal community colleges and universities.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	N/A	N/A
	FY2005	Establish Baseline	Established

Performance Goal 2

Provide summer internship opportunities for Native American and Alaska Native students in Congressional offices and agencies that provide a comprehensive legislative experience to the interns.	Fiscal Year	Annual Target	Actual Performance
	FY2003	12	12
	FY2004		12
	FY2005		12

Performance Goal 3

Increase the percentage of interns who report they are satisfied they received a quality educational experience through the Native American Congressional Internship Program.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	67%
	FY2004	85%	90%
	FY2005	>90%	100%

As detailed in the graphical representation above, the Foundation exceeded its FY 2005 performance goals by instituting program and curriculum improvements for the internship program, including:

- an orientation for internship coordinators in Congressional and other placement offices to introduce them to the principal goals and mission of the internship program and the Udall Foundation;
- improved weekly enrichment activities, a unique and indispensable component of the internship program, which included meetings with P. Lynn Scarlett, deputy secretary, and Gale Norton, secretary, Department of the Interior; Senator John McCain; and J.P. Woodley, assistant secretary of the Army, Civil Works, Department of Defense; and
- a research and writing component. Interns wrote and presented research topics including tribal economic development, the Indian Healthcare Improvement Act, federal education programs for Native Americans, gender discrimination in science, and Indian gaming.

Native Nations Institute for Leadership, Management, and Policy

The Native Nations Institute for Leadership, Management, and Policy (NNI) focuses on building the capacity of newly elected tribal councilors and chairs to manage tribal governance and nation-building efforts by increasing executive education opportunities for Native American tribes.

Performance Goal 4

	Fiscal Year	Annual Target	Actual Performance
The Native Nations Institute for Leadership, Management, and Policy (NNI)	FY2003	Executive education program continues operations.	Operational
	FY2004		
	FY2005	Develop and test executive education curriculum tailored to needs of newly elected tribal councilors and chairs.	Completed

The Native Nations Institute (NNI) met its FY 2005 performance target. As of the end of FY 2005, NNI has three operational program areas: 1) leadership and management training (includes executive education for tribal leaders, entrepreneurship training, and the Native American Congressional Internships); 2) research and policy analysis (produces a large quantity of materials that are used by Indian Nations to improve governance and development performance and that inform all of NNI's other programs); and 3) strategic and organizational development (works with Indian nations on issues ranging from constitutional reform to government design, from intergovernmental relations to economic and community development).

Strategic Goal 2 (U.S. Institute for Environmental Conflict Resolution): Resolve environmental conflicts and improve environmental decision making through mediation, training and related activities.

The U.S. Institute for Environmental Conflict Resolution was established by Congress in FY 1999 by the Environmental Policy and Conflict Resolution Act of 1998 (Public Law 105-156). The mission of the Institute is to assist in the resolution of environmental conflicts involving the federal government. To meet its mission the U.S. Institute provides alternative dispute resolution services, also referred to as environmental conflict resolution (ECR), including preliminary consultation, conflict assessment, ECR process design and guidance, process facilitation or mediation, and case management. The U.S. Institute also designs dispute resolution systems, develops policies and principles for ECR practice, and designs and delivers training on ECR.

Collectively, these services are used to advance the work of the U.S. Institute by:

1. **Providing case support services to assist federal agencies and other stakeholders to *resolve current environmental conflicts*.**
2. **Increasing the capacity of federal agencies and other stakeholders to *manage and resolve future environmental conflicts*.**
3. **Providing leadership to assist the Federal government to *develop ECR policies and practices to promote broad-scale effective use of ECR and to improve environmental decision making*.**

Objective Goal 2a: Resolve environmental conflicts and improve environmental decision making by increasing the appropriate use of ECR through U.S. Institute case services.

Performance Highlights for FY 2005

During FY 2005, the U.S. Institute provided case support services for more than **50 environmental conflicts**. The case services ranged from early diagnostic and convening services to in-depth case work (e.g., facilitating a rulemaking process, mediating a dispute, managing a public involvement planning process).

Several of the cases handled during FY 2005 were of **national scope and significance**, including military training and protection of endangered species on an Air Force range; noise pollution at the Grand Canyon National Park; ongoing interagency disputes arising in the Everglades restoration project; high-profile national priority transportation disputes identified by the U.S. Department of Transportation; and stakeholder conflicts over forest restoration efforts and grazing and environmental compliance on national forest lands.

Evaluation Feedback on FY 2005 U.S. Institute Services
from Federal Agency Representatives

Bureau of Land Management Assessment and Mediation

"The assessment process prepared the parties for the mediation process. By themselves [without the assistance of a third-party neutral] the parties would probably never have reached agreement or even tried, because each side assumed the other side's position was intractable. The assessment encouraged both sides to change that viewpoint."

Forest Service - Landscape Scale Assessments

The assessment work conducted as the foundation for forest planning processes resulted in *"increased community-capacity to work through projects/conflict. Better relationships/trust. Likely, fewer serious conflicts in the future."*

National Park Service - Negotiated Rulemaking Assessment

"The role of the U.S. Institute was valuable in helping us with this process. For parks with little or no experience, it would be great to bring the U.S. Institute in as soon as possible - they'll profit from it."

Case Consultation and Management Services

Environmental issues, particularly complex multiparty conflicts, can be challenging to resolve. Case consultation and management reflects a continuum of services, from early case diagnostic assistance to comprehensive case management, designed to enable federal agencies and other affected stakeholders to effectively engage in ECR.

Performance Goal 1

Resolve environmental conflicts and improve environmental decision making by increasing the case consultation and management services provided to stakeholders seeking the resolution of conflicts through the appropriate use of ECR.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	26
	FY2004	50	73
	FY2005	70	77 ¹

The U.S. Institute exceeded its FY 2005 annual performance goal by providing 77 instances of case consultation and management services. These services include early advice, consultation and convening services that are necessary to begin a conflict resolution process but are generally not reimbursable.

Case Assessment Services

Assessments promote the effective use of resources to resolve conflicts --- Resources (time and money) are scarce for agencies and other affected stakeholders involved in environmental conflicts. Assessments help stakeholders determine (a) if a collaborative approach is a viable option for solving their problem or resolving their conflict, and (b) determine how best to proceed with collaboration, if appropriate.

Performance Goal 2

Resolve environmental conflicts and improve environmental decision making by increasing the percentage of assessments for which the majority of stakeholders strongly agree that the U.S. Institute helped them determine how best to proceed to resolve their conflict.	Fiscal Year	Annual Target	Actual Performance
	FY2003	75%	78%
	FY2004	85%	100%
	FY2005	85%	86%

During FY 2005, the U.S. Institute assisted with 13 assessments, of which nine have been completed and four are ongoing. The FY 2005 evaluation feedback indicates that the U.S. Institute exceeded its annual performance target for assessment services.

¹ Includes 24 assisted external case referrals designed to help stakeholders set the stage to manage and resolve processes without in-depth assistance from the U.S. Institute.

Mediation and Facilitation Services

Environmental issues, if not dealt with effectively, are often protracted, divisive and costly to resolve. Collaborative planning, rulemaking, and assisted negotiation are examples of where ECR can engage, inform, and proactively or reactively deal with problems and issues and produce productive working relationships and resolutions that solve environmental issues now and help manage issues in the future.

Performance Goal 3

Resolve environmental conflicts and improve environmental decision making by increasing the percentage of mediations/facilitations for which the majority of responding stakeholders report full or partial agreement was reached or progress was made towards addressing the issues or resolving the conflict.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	85%	85%
	FY2005	85%	100%

During FY 2005, the U.S. Institute was involved in 35 mediation and facilitation processes, of which 11 have been completed, while the remaining processes are ongoing in FY 2006. The U.S. Institute provided these services directly or through its contracted private-sector practitioners. Based on preliminary evaluation feedback of completed processes, the U.S. Institute has met its FY 2005 annual performance target. For details on the nature of these data see the "Validation and Verification" section.

National Roster - ECR Practitioner Referral Services

ECR practitioners with appropriate experience can be efficiently identified to work on environmental conflicts --- The U.S. Institute's National Roster of environmental practitioners, now publicly accessible on-line, and Native Dispute Resolution Network, empower all stakeholders to identify qualified mediators or facilitators to assist with their environmental conflict or issue.

Performance Goal 4

Resolve environmental conflicts and improve environmental decision making by increasing the percent of those using ECR practitioner referral services who report the roster gives them confidence they have identified a sufficient array of mediators with appropriate experience to assist them in resolving their conflict.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	90%	83%
	FY2005	90%	86%

Performance Goal 5

Increase the number of searches (by agency and court staff, tribes, public and other stakeholders) to locate qualified ECR practitioners using the National Roster.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	57
	FY2004	125	110
	FY2005	130	> 180

Performance Goal 6

In over 90% of mediations and facilitations managed by the U.S. Institute the participants report they are satisfied with the services provided by the practitioner.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	90%	100%
	FY2005	90%	100%

The U.S. Institute exceeded its target for performance goals 5 and 6, and showed improvement for performance goal 4 over FY 2004 results.

During FY 2005, the U.S. Institute continued to improve referral services. Considerable progress was made in the development of the Native Dispute Resolution Network, an additional resource for identifying practitioners to assist in resolving environmental disputes that involve tribes and/or Native people. During FY 2005, the U.S. Institute also made the National Roster of ECR Practitioners directly available on-line to the public. Now, anyone can locate experienced ECR practitioners on the web as well as through the U.S. Institute's referral service at www.ecr.gov/roster.htm. Outreach and information pieces are being developed to educate users on how to effectively use the roster and to increase awareness of public access to the Roster.

Objective Goal 2b: Resolve environmental conflicts and improve environmental decision making by increasing the capacity of agencies and other affected stakeholders and practitioners to manage and resolve conflicts through the appropriate use of ECR.

Performance Highlights for FY 2005

The U.S. Institute was involved in several **programmatic capacity-building initiatives** during FY 2005. Examples include:

- (a) Creation of a training framework for multiparty negotiation for the *U.S. Air Force*;
- (b) National assessment of collaborative approaches to deal with off-highway vehicle use for the *USDA Forest Service*; and
- (c) Initiation of a pilot program to help the *Interior Board of Land Appeals* screen and refer cases for resolution via mediation rather than adjudication.

Provided **training, workshops and capacity-building information sessions** that collectively engaged over **600 representatives** of federal, state, and local governments, tribal nations, NGO's, environmental advocates, community-based groups, science and technical experts, environment and natural resource attorneys, public land managers, and dispute resolution and consensus-building professionals.

Evaluation Feedback on FY 2005 U.S. Institute Services from
Federal Agency Representatives

DOI Interior Board of Land Appeals - Pilot Mediation Referral Program

"The project has already resulted in the settlement of cases which we would have had to adjudicate if the project had not been implemented. It has saved us time and resources. The parties have been able to resolve their disputes themselves and to find creative solutions we could not have given them." These services were "definitely unavailable" if not provided by the U.S Institute.

Native Dispute Resolution Network (Initial Implementation Phase)

"Resolved one very contentious matter. One is all it takes in Indian Country to get the word around." The U.S. Institute created a broadly accessible referral network from which federal agencies and other affected stakeholders can identify American Indian, Alaska Native, and Native Hawaiian, and other dispute resolution practitioners, with experience working with Native communities to resolve or prevent disputes. Through the Institute's leadership, Network capacity-building initiatives provided opportunities for tribes and federal agencies to increase their cultural awareness and competency, exchange skills, and find innovative ways to use collaborative dispute resolution for addressing conflicts between federal agencies and tribal governments.

Build Institutional Capacity within the Federal Government

Performance Goal 1

Increase to number of Dispute Systems Designs (<i>programmatic support services - systems design and program development work</i>) provided by the U.S. Institute to more effectively prevent and manage recurring types or classes of environmental disputes.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	5
	FY2004	Up to 5	7
	FY2005	8	8

Performance Goal 2

Resolve environmental conflicts and improve environmental decision making <i>by increasing the percentage of federal agency representatives who report the Dispute Systems Designs (programmatic support - systems design and program development work) provided by the U.S. Institute has improved the effectiveness of their ECR efforts.</i>	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	Measure being developed
	FY2004	N/A	Measure being developed
	FY2005	85%	100%

Performance goals 1 and 2 focus programmatic support services (system designs and program development work) provided by the U.S. Institute. As detailed in the graphic representation above, the U.S. Institute has met the FY 2005 goals. Programmatic support includes assistance with designing, implementing, evaluating, and/or refining federal ECR programs, systems for handling administrative disputes, or approaches for managing environmental decision making (e.g., with NEPA processes).

Build Capacity at a Stakeholder Level

Performance Goal 3

As a result of <i>informal education</i> and experience of stakeholders in mediations and facilitations managed by the U.S. Institute, in 85% of cases, stakeholders report an increased capacity to manage and resolve future challenges/conflicts.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	85%	85%
	FY2005	85%	100%

Performance Goal 4

Resolve environmental conflicts and improve environmental decision making <i>by increasing the percent of participants who experience a formal ECR training and report what they take away from the training will have a very positive impact on their effectiveness in the future.</i>	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	N/A
	FY2004	85%	100%
	FY2005	85%	84%

The U.S. Institute met its FY 2005 performance goal for informal education of stakeholders in mediations and facilitations. During FY 2005, the U.S. Institute was also involved in developing 11 training initiatives ranging from half-day to multiple-day in-depth trainings. The FY 2005 evaluation results indicate the U.S. Institute was close to achieving, but did not meet, its annual performance target for training services (84% rather than 85%). The U.S. Institute has implemented steps to improve performance. Project-level evaluation reports are being generated for all completed trainings and workshops. The evaluation reports are being disseminated to project managers, trainers, and participants, as a means to better promote performance accountability and reflective practice to facilitate continual learning and improvement. Lessons learned suggest that performance will be improved by integrating more agency specific case examples and applications of ECR into the trainings.

Objective Goal 2c: Resolve environmental conflicts and improve environmental decision making by providing leadership to guide ECR practice and policy development within the federal government.

Performance Highlights for FY 2005

Through its **leadership in ECR**, the U.S. Institute assisted the Chair of the *Council on Environmental Quality* develop a framework to engage leadership throughout the federal government to discuss ways to more systematically prevent and reduce environmental conflict. The U.S. Institute began the task of implementing selected recommendations of the *National Environmental Conflict Resolution Advisory Committee* regarding use of collaborative processes to enhance achievement of policy objectives contained in *Section 101 of the National Environmental Policy Act*. The U.S. Institute also hosted the *Fourth National Conference on Environmental Conflict Resolution*, designed to share ECR experiences and foster better understanding of ECR principles and practices to enhance the overall effectiveness of ECR processes.

Establish Principles for Collaborative Problem-Solving - Develop and disseminate principles for agency use of collaborative decision-making on policy environmental issues.

Performance Goal 1

Create "Basic Principles for Agency Engagement in Collaborative Problem Solving and Environmental Conflict Resolution" from agencies involved in "CEQ Initiative to Foster Collaborative Problem Solving and Environmental Conflict Resolution."	Fiscal Year	Annual Target	Actual Performance
	FY2003 FY2004	Baseline: No cross-agency agreement on principles exists.	
	FY2005	Agencies involved in CEQ initiative endorse the basic principles.	Principles Endorsed

The U.S. Institute was called on by the Chair of the Council on Environmental Quality to help develop "Principles for Collaborative Problem-Solving and Environmental Conflict Resolution"

that could be used to improve environmental decision making within the federal government. The U.S. Institute worked with senior staff from a number of departments and agencies (including Transportation, Justice, Interior, Agriculture, Defense and EPA) to refine a set of basic principles and develop a framework for Chairman Connaughton to engage leadership throughout the federal government in a discussion on ways to more systematically prevent and reduce environmental conflict.

Provide leadership within the Federal Government to improve ECR practices and outcomes

Performance Goal 2

Lead quarterly Federal ECR Roundtable discussions to provide federal agency alternative dispute resolution administrators and staff opportunities to review and critique past performance and share and discuss opportunities for innovative use and improved use of ECR.	Fiscal Year	Annual Target	Actual Performance
	FY2003	4	4
	FY2004	4	3
	FY2005	4	> 4

Hosted two quarterly Federal ECR Roundtable discussions in Washington D.C. as well as over 48 dynamic, interactive panels and roundtables as part of the U.S. Institute's Fourth National Conference on Environmental Conflict Resolution (ECR), May 24-26, 2005. The conference was attended by over 400 individuals, including representatives of federal, state, and local governments, tribal nations, community-based groups, and NGO's; ECR practitioners; environmental advocates; science and technical experts; environment and natural resource attorneys; and public land managers. The conference, "Pathways to Successful ECR," was designed to foster a better understanding of ECR principles and practices to enhance the overall effectiveness of ECR processes. The conference co-sponsors included the U.S. Department of the Interior, U.S. Environmental Protection Agency, U.S. Department of Transportation Federal Highway Administration, and the U.S.D.A. Forest Service. The Council on Environmental Quality, U.S. Navy, U.S. Air Force, U.S. Department of Justice and the Federal Energy Regulatory Commission provided assistance in developing the conference program.

Increase Collaborative Decision Making Re: NEPA – Increase use of collaborative decision-making to improve implementation of Section 101 of the National Environmental Policy Act

Performance Goal 3

Disseminate recommendations of National Environmental Conflict Resolution Advisory Committee regarding use of collaborative processes to enhance achievement of policy objectives contained in NEPA Section 101.	Fiscal Year	Annual Target	Actual Performance
	FY2003 FY2004	Baseline: Advisory Committee has been developing policy recommendations in FY 2004.	
	FY2005	Disseminate recommendations to agencies and other stakeholders.	Recommendations Disseminated

One part of the Institute's mission is to assist the federal government in implementing section 101 of the National Environmental Policy Act of 1969 (42 U.S.C. 4331), which declares, in part, that it is the:

... policy of the federal government, in cooperation with state and local governments, and other concerned public and private organizations, to use all practicable means and measures ... to create and maintain conditions under which man and nature can exist in productive harmony, and fulfill the social, economic and other requirements of present and future generations of Americans.

In FY 2003, the Foundation chartered an advisory committee to provide it advice on how the Institute might address its statutory mandate regarding NEPA. During FY 2005, the National Environmental Conflict Resolution Advisory Committee (NECRAC) completed its final report detailing findings and recommendations from its two-year effort. The committee included 29 members representing a wide range of interests, including ranching, farming, business, nonprofit groups, environmental groups, government agencies and tribes. The committee looked at what role ECR can play in implementing the NEPA, sometimes described as the "Magna Carta" of U.S. environmental law. The report makes recommendations to the U.S. Institute that Committee members believed would improve the quality of agency decision making consistent with NEPA. The full NECRAC report has been disseminated to agencies and other stakeholders and is available at <http://www.ecr.gov/necrac>.

Service Agreements

Performance Goal 4

Increase the number of service agreements and memoranda of understanding in place with other agencies.	Fiscal Year	Annual Target	Actual Performance
	FY2003	N/A	11
	FY2004	15	13
	FY2005	15	>15

Through interagency service agreements and memoranda of understanding, the U.S. Institute provides mechanisms for agencies to have access to the full range of ECR services. The U.S. Institute can also pool funds from several sources to facilitate the shared funding of individual cases and projects across several agencies and organizations. The U.S. Institute met its FY 2005 service agreement target.

Means and Strategies

- *Practitioner Referral Services* – The U.S. Institute's small professional staff accomplishes much of its work through partnering and subcontracting with existing private-sector mediators who have substantial experience in environmental conflict resolution and have qualified for the National Roster for ECR Practitioners, a roster developed and maintained by the U.S. Institute. The Roster provides a central source where appropriate experienced environmental mediators, facilitators, consensus builders, process designers, conflict assessors, system designers, neutral evaluators/fact finders, Superfund allocators, and regulatory negotiation neutrals can be identified.
- *Interagency Service Agreements* – Through interagency service agreements, the U.S. Institute provides mechanisms for agencies to have access to the full range of ECR services. The U.S. Institute can also pool funds from several sources to facilitate the shared funding of individual cases and projects across several agencies and organizations.

The majority of inquiries received by the U.S. Institute during FY 2005 originated from federal agencies including U.S. EPA, U.S. Department of Interior (U.S. Fish and Wildlife Service, Bureau of Land Management, National Park Service, Office of Hearings and Appeals), U.S. Department of Agriculture (Forest Service), U.S. Department of Defense (Air Force and Army Corps of Engineers), U.S. Department of Transportation (principally the Federal Highway Administration and the Federal Aviation Administration), the Marine Mammal Commission, and the National Marine Fisheries Service at the National Oceanic and Atmospheric Administration. Numerous inquiries were also received from state and tribal governments, environmental groups and other stakeholders.

During FY 2005, the U.S. Institute worked with these agencies and other affected stakeholders to help them resolve and manage conflicts that involved a wide range of issues including wildlife and wilderness management, recreational use of and access to public lands, grazing and timber management, endangered species, water resources and water rights, wastewater treatment, watershed management, wetlands, brownfields, air pollution transport and control, transportation and urban infrastructure.

- *Efficiency Strategies* – Improvements and streamlining of U.S. Institute services (based on information system refinements, program evaluation feedback, and personnel development) are designed to facilitate incremental increases in the quality and quantity of services delivered.

Validation and Verification

During FY 2005, the U.S. Institute implemented an enhanced program evaluation system. The enhanced system draws on evaluation instruments approved by OMB in June 2005 to better measure, report and improve conflict resolution services. With enhanced evaluation instruments the U.S. Institute has improved key measures used to report on performance. The U.S. Institute made every effort to strengthen measures while maintaining the general ability to compare measures from prior years.

During FY 2005, the U.S. Institute submitted six ICRs to OMB, corresponding to 11 individual questionnaires. In the listing below, the questionnaires are organized into six activity areas, indicating the recipients of the questionnaires and, in parentheses, the frequency of administration per respondent.

Mediation/Facilitation Services (OMB control number 3320-0004)

- (1) Mediations/Facilitations - Participants, at the conclusion of the process (once)
- (2) Mediations/Facilitations - Participants, subsequent to the conclusion of the process (once)
- (3) Mediations/Facilitations - Facilitators/Mediators (Neutral Practitioners) at the conclusion of the process (once)

Situation/Conflict Assessment Services (OMB control number 3320-0003)

- (4) Assessment - Initiating Organizations and Key Participants, at the conclusion of the assessment (once)
- (5) Assessment - Assessor (Neutral Practitioner) at the conclusion of the assessment (once)

Training and Workshop Services (OMB control number 3320-0006)

- (6) Training/Workshop - Participants, at the conclusion (once)

Facilitated Meeting Services (OMB control number 3320-0007)

- (7) Facilitated Meeting - Meeting Attendees, at the conclusion of the process (once)

Roster Program Services (OMB control number 3320-0005)

- (8) Roster - Members (once annually)
- (9) Roster - Users, at the end of the search (once)
- (10) Roster - Users, subsequent to the search (once)

Program Support and System Design Services (OMB control number 3320-0009)

- (11) Program Support and System Design - Agency Representatives and Key Participants, annually or at the conclusion of the project if the project is completed in less than 12 months (once annually for length of project)

The U.S. Institute has worked in partnership with several state and federal agencies to collaboratively develop the evaluation system. The sharing of evaluation resources and expertise is advantageous on several fronts: (a) design and development efforts are not duplicated across agencies; (b) common methods for evaluating collaborative processes are established; (c) knowledge, expertise and resources are shared, realizing cost-

efficiencies for the collaborating agencies; and (d) learning and improvement on a broader scale will be facilitated through the sharing of comparable multi-agency findings. As part of this partnership, the U.S. Institute requested OMB permission to administer evaluation instruments on behalf of agencies that either do not have the internal capacity to administer their own instruments, or are seeking evaluation assistance while in the process of launching their own internal evaluation systems. This evaluation assistance will be provided primarily during FY 2006 and FY 2007. This work will be underwritten with grant funds from the William and Flora Hewlett Foundation.

The FY 2005 performance evaluation information included in this report was collected from members of the public and agency representatives who were participants in, and users of, U.S. Institute services. Service users represent an independent external source of evaluative feedback. Evaluation data is also gathered from service providers (e.g., trainers, mediators). The service provider feedback, while not included here, is gathered to help us learn more about what factors promote success and how services can be continually improved.

All completed cases, projects, trainings, referrals, and other services are subject to evaluation. However, during FY 2005 the U.S. Institute has been challenged by new demands. For example, the U.S. Institute was increasingly asked to assist agencies with collaborative processes that have large public involvement components. Though these processes fall within the mission of the U.S. Institute, our current evaluation instruments were not explicitly designed to assess this growing service area. Because these processes have characteristics that fall outside the general scope of current evaluation instruments, efforts are underway to determine how best to measure and report on these processes. Therefore, summary statistics of performance results for the mediations and facilitations, which include public involvement processes, are preliminary while pending evaluations are completed. Despite the challenges, considerable progress was made in upgrading the U.S. Institute's evaluation system during FY 2005.

THE MORRIS K. UDALL FOUNDATION
Tucson, Arizona

**INDEPENDENT AUDITOR'S REPORTS
AND FINANCIAL STATEMENTS**
September 30, 2005 and 2004

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report.....	1
Independent Auditor's Report on Compliance and Other Matters	3
Independent Auditor's Report on Internal Control over Financial Reporting.....	5
• Reportable Condition	6
Financial Statements	9
Required Supplementary Information.....	24
Other Accompanying Information.....	29
Appendix A – Management Response to Auditor Internal Control Report.....	30

Independent Auditor's Report

The Morris K. Udall Foundation

We have audited the accompanying balance sheets of The Morris K. Udall Foundation (the Foundation) as of September 30, 2005 and 2004 and the related statements of net costs, changes in net position, budgetary resources and financing for the years ended September 30, 2005 and 2004 (collectively the financial statements). These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits of the financial statements noted above provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2005 and 2004, and its net cost, changes in net position, budgetary resources and reconciliation of net costs to budgetary obligations for the years ended September 30, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 10 to the financial statements, certain errors resulting in understatement of previously reported interest revenue and revenues from services provided as of September 30, 2004 were discovered by management of the Foundation during the current year. Accordingly, the 2004 financial statements have been restated to adjust revenues and related receivables. Note 10 also discusses certain reclassifications between unexpended appropriations and cumulative results of operations as of September 30, 2004 that were discovered by management. The 2004 financial statements have been restated to account for this reclassification.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 10, 2005 on our consideration of the Foundation's internal control over financial reporting, and on our tests of the Foundation's compliance with certain provisions of laws and regulations. The purpose of those reports is to describe the scope of our testing of internal control

over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Discussion and Analysis, required supplementary information, and other accompanying information contain a wide range of data, some of which is not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with the Foundation officials. Based on this limited work, we found no material inconsistencies with the financial statements or nonconformance with OMB guidance.

Clifton Gunderson LLP

Phoenix, Arizona
November 10, 2005

Independent Auditor's Report on Compliance and Other Matters

To The Morris K. Udall Foundation

We have audited the financial statements of The Morris K. Udall Foundation (the Foundation) as of and for the year ended September 30, 2005 and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The management of the Foundation is responsible for complying with laws and regulations applicable to the Foundation. As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material affect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions, and we did not test compliance with all laws and regulations applicable to the Foundation.

The results of our tests of compliance disclosed no instances of noncompliance with the laws and regulations described in the preceding paragraph, exclusive of FFMIA, that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 01-02.

Under FFMIA, we are required to report whether the Foundation's financial management systems substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA section 803(a) requirements.

The results of our tests disclosed instances described below, where the Foundation's financial management systems did not substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the U.S. Government Standard General Ledger (USSGL) at the transaction level.

Federal Financial System Requirements:

As indicated in our Report on Internal Control, The U.S. General Services Administration (GSA), engaged by the Foundation to maintain their general ledger, prepares annual financial statements that omit certain year-end adjustments to comply with the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America.

FFMIA requires agencies to produce auditable financial statements based on data from its financial systems on a timely basis. Given the fact that certain accrual adjustments were omitted from the annual financial statements, the Foundation did not substantially comply with federal financial management system requirements for the year ended September 30, 2005.

GSA and the Foundation's CFO have been assigned the responsibility of ensuring the substantial compliance with the FFMIA. A discussion of the actions taken by the Foundation and our recommendations to strengthen the Foundation's financial management systems are outlined in our Internal Control Report. Foundation management plans to continue with the corrective actions started or implemented in prior years.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management of The Morris K. Udall Foundation, the Office of the Inspector General, OMB, and Congress and is not intended to be, and should not be, used by anyone other than these specified parties.

Clifton Gunderson LLP

Phoenix, Arizona
November 10, 2005

Independent Auditor's Report on Internal Control over Financial Reporting

To The Morris K. Udall Foundation

We have audited the financial statements of The Morris K. Udall Foundation (the Foundation), as of and for the year ended September 30, 2005 and have issued our report thereon dated November 10, 2005. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*; issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audits, we considered the Foundation's internal control over financial reporting by obtaining an understanding of the Foundation's internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Consequently, we do not provide an opinion on internal control.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Foundation's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected. However, we noted certain matters discussed in the following section involving the internal control and its operation that we consider to be reportable conditions.

With respect to internal controls related to performance measures reported in the Foundation's Management Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions, as required by OMB Bulletin No. 01-02. Our procedures were not designed to provide assurance on internal control over reported performance measures, and, accordingly, we do not provide an opinion on such controls.

The Foundation's Chief Financial Officer (CFO) provides the Department-wide accounting policy oversight to the Foundation. The General Services Agency (GSA) provides the accounting and fiscal services to the Foundation, including the preparation of annual financial statements. Accordingly, GSA is considered part of the Foundation's management and is responsible for carrying out many accounting procedures on behalf of the Foundation.

REPORTABLE CONDITION

1. PREPARATION AND ANALYSIS OF FINANCIAL STATEMENTS

Condition:

Introduction – The Accountability of Tax Dollars Act of 2002 extends to the Foundation a requirement to prepare and submit to the Congress and the Director of the OMB an audited financial statement.

Although the Foundation has made significant improvements toward compliance with this act, several accrual basis audit adjustments as of September 30, 2005 were still required.

The weaknesses identified below collectively resulted in a reportable condition in the Foundation's financial reporting process.

Improvements Needed – We believe that the Foundation's accounting system still needs some refining to allow the Foundation to prepare reliable financial statements and related supplementary financial information (collectively referred to as financial statements in this report) in a more accurate manner at the end of the year and, ultimately, if necessary or beneficial, during the year as well. The area needing improvement is described in detail below.

Financial Statements Preparation and Analysis Process Can Be Improved –The process for preparing the annual financial statements using transaction data from the GSA Accounting System (Pegasys) continues to be manually intensive. This process results in limited resources being available for financial analysis and related research of unusual account relationships. It includes downloading necessary data from GSA and using microcomputer software to process adjusting entries and to prepare annual financial statements. Most of the adjustments are not ultimately reflected in Pegasys and, accordingly, have to be evaluated each year for repeating in the year-end closing process. This process is time consuming, has a high risk of error, and lacks controls over the completeness of final data used to prepare the financial statements.

Recommendation:

We recommend that the Foundation make improvements in its financial accounting and reporting process in the following areas:

- a) Review all entries in the general ledger and GSA's procedures for reversing those that would be processed in the normal course of operations in the subsequent fiscal year.

- b) Using the Statement of Net Costs prepared quarterly by GSA in accordance with OMB Circular A-136, management should then perform financial account analysis to assess the reasonableness of the current period reported amounts as well as to identify account categories out of line with expectations, including those relating to expenses by object class. The CFO should investigate unusual changes from year to year and obtain explanations from appropriate program managers for significant deviations. In addition, consideration should be given to performing comparisons with expected disbursement amounts.
- c) Work with GSA in developing a standard method of generating accrual based financial statements.
- d) Reconcile current year operating and budgetary activity to the change in net position accounts during the year to ensure that the financial statements properly reflect net position activity at year-end. In addition, appropriate analysis and support for the composition of net position at September 30 and for the year then ended should be maintained. In order to avoid problems with this analysis at the end of the year, we recommend that the analysis be done periodically during the year. We continue to recommend that all audit and year-end closing adjustments are recorded in the Pegasys accounting system to avoid reconciliation problems in net position accounts in future years.
- e) Thoroughly analyze budgetary accounts to ensure proper treatment of obligations on the Statement of Budgetary Resources.

OTHER COMMENTS

Federal Managers' Financial Integrity Act (31 U.S.C. 3512) (Integrity Act) Compliance and Reporting

OMB Circular No. A-123 provides the reporting guidance for the Integrity Act. OMB Circular A-123 states that annually, by December 31, the head of each executive agency submit to the President and the Congress (i) a statement on whether there is reasonable assurance that the agency's controls are achieving their intended objectives; (ii) a report on material weaknesses in the agency's controls, and (iii) whether the agency's financial management systems conform with government-wide requirements.

OMB Bulletin No. 01-02 requires that we compare the material weaknesses in the agency's controls and material non-conformances on the agency's financial management systems in the Foundation's Integrity Act report to our report on internal control dated November 10, 2005. The Integrity Act report has not been completed and the comparison of reports was not performed.

Attached to this report is Management's Response to the finding and recommendation summarized above. We have reviewed Management's Response, considered their points, and reevaluated our findings or recommendations. We have concluded that no change is needed to our original finding or recommendation. We will work closely with management to help them fully understand the key points of our recommendation.

This report is intended solely for the information and use of the management of the Foundation, OMB, and Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

Clifton Gunderson LLP

Phoenix, Arizona
November 10, 2005

**THE MORRIS K. UDALL FOUNDATION
FINANCIAL STATEMENTS
September 30, 2005 and 2004**

TABLE OF CONTENTS

	PAGE
Balance Sheets	10
Statements of Net Costs	11
Statements of Changes in Net Position	12
Statements of Budgetary Resources	13
Statements of Financing	14
Summary of Significant Accounting Policies	15
Notes to Financial Statements	19
SUPPLEMENTARY INFORMATION	24
Trading Partner Information (RSSI)	25
OTHER ACCOMPANYING INFORMATION	29
Combining Balance Sheet	30
Combining Schedule of Net Costs	31
Combining Schedule of Changes in Net Position	32
Combining Schedule of Budgetary Resources	33
Combining Schedule of Financing	34

THE MORRIS K. UDALL FOUNDATION
BALANCE SHEETS
September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u> <u>Restated</u>
ASSETS		
Intra-governmental:		
Fund balance with Treasury (Note 1)	\$ 6,190,819	\$ 7,118,660
Investments (Note 2)	28,261,429	26,282,977
Interest receivable	266,642	232,607
Accounts receivable	<u>117,778</u>	<u>23,945</u>
Total intra-governmental	34,836,668	33,658,189
Grants receivable	165,000	45,000
Accounts receivable	69,843	454,494
Other	400	400
General property and equipment, net (Note 3)	<u>50,816</u>	<u>64,904</u>
TOTAL ASSETS	<u>\$ 35,122,727</u>	<u>\$ 34,222,987</u>
LIABILITIES (Notes 4, 5 and 8)		
Intra-governmental:		
Accounts payable	\$ 1,648	\$ 1,234
Accounts payable	542,508	386,357
Accrued payroll and benefits	87,933	69,461
Accrued annual leave	116,107	108,608
Other	<u>71,851</u>	<u>71,173</u>
Total liabilities	<u>820,047</u>	<u>636,833</u>
NET POSITION		
Unexpended appropriations (Note 6)	33,810,745	31,830,713
Cumulative results of operations	<u>491,935</u>	<u>1,755,441</u>
Total net position	<u>34,302,680</u>	<u>33,586,154</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 35,122,727</u>	<u>\$ 34,222,987</u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

THE MORRIS K. UDALL FOUNDATION
STATEMENTS OF NET COSTS
For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u> <u>Restated</u>
PROGRAM COSTS		
Intragovernmental gross costs	\$ 249,166	\$ 217,402
Less: Intragovernmental earned revenue	<u>1,636,484</u>	<u>3,039,573</u>
Total intragovernmental gross costs	(1,387,318)	(2,822,171)
Gross costs with the public	7,425,111	6,654,512
Less: Earned revenues from the public	<u>1,555,508</u>	<u>897,856</u>
Net costs with the public	<u>5,869,603</u>	<u>5,756,656</u>
Total program costs	<u>4,482,285</u>	<u>2,934,485</u>
NET COST OF OPERATIONS	<u><u>\$ 4,482,285</u></u>	<u><u>\$ 2,934,485</u></u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

THE MORRIS K. UDALL FOUNDATION
STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended September 30, 2005 and 2004

	<u>2005</u>		<u>2004 (Restated)</u>	
	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
BEGINNING BALANCE, as restated	<u>\$ 1,755,441</u>	<u>\$ 31,830,713</u>	<u>\$ 1,817,369</u>	<u>\$29,638,221</u>
BUDGETARY FINANCING SOURCES				
Appropriations received	-	3,305,000	-	3,305,000
Other adjustments	-	(26,440)	-	(19,499)
Appropriations used	1,298,528	(1,298,528)	1,093,009	(1,093,009)
Other budgetary financing sources	1,813,014	-	1,689,343	-
OTHER FINANCING SOURCES	<u>107,237</u>	<u>-</u>	<u>90,205</u>	<u>-</u>
TOTAL FINANCING SOURCES	<u>3,218,779</u>	<u>1,980,032</u>	<u>2,872,557</u>	<u>2,192,492</u>
NET COST OF OPERATIONS	<u>(4,482,285)</u>	<u>-</u>	<u>(2,934,485)</u>	<u>-</u>
ENDING BALANCES	<u>\$ 491,935</u>	<u>\$ 33,810,745</u>	<u>\$ 1,755,441</u>	<u>\$31,830,713</u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

THE MORRIS K. UDALL FOUNDATION
STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u> <u>Restated</u>
BUDGETARY RESOURCES		
Budget authority:		
Appropriations received	\$ 3,278,560	\$ 3,285,501
Net transfers	3,607,104	5,023,310
Unobligated balances – beginning of period	<u>32,800,480</u>	<u>28,481,852</u>
Subtotal	<u>39,686,144</u>	<u>36,790,663</u>
Spending authority from offsetting collections:		
Earned:		
Collections	4,966	6
Receivable from federal sources	<u>117,788</u>	<u>-</u>
Subtotal	<u>122,754</u>	<u>6</u>
Recoveries of prior year obligations	<u>565,109</u>	<u>245,461</u>
Total budgetary resources	<u><u>\$ 40,374,007</u></u>	<u><u>\$ 37,036,130</u></u>
STATUS OF BUDGETARY RESOURCES		
Obligations incurred:		
Direct	\$ 6,866,214	\$ 7,064,779
Unobligated balance:		
Apportioned	2,735,811	659,601
Unobligated balances not available	<u>30,771,982</u>	<u>29,311,750</u>
Total status of budgetary resources	<u><u>\$ 40,374,007</u></u>	<u><u>\$ 37,036,130</u></u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS		
Obligated balance, net, beginning of period	\$ 2,112,665	\$ 1,939,527
Obligated balance, net, end of period:		
Undelivered orders	302,952	1,859,362
Accounts payable	<u>697,111</u>	<u>253,304</u>
Outlays:		
Disbursements	7,369,702	6,811,273
Collections	<u>(4,966)</u>	<u>(6)</u>
Subtotal	7,364,736	6,811,267
Less: Offsetting receipts	<u>3,122,436</u>	<u>3,535,400</u>
Net outlays	<u><u>\$ 4,242,300</u></u>	<u><u>\$ 3,275,867</u></u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

THE MORRIS K. UDALL FOUNDATION
STATEMENTS OF FINANCING
For the Years Ended September 30, 2005 and 2004

	<u>2005</u>	<u>2004</u> <u>Restated</u>
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary resources obligated:		
Obligations incurred	\$ 6,866,214	\$ 7,064,779
Less: Spending authority from offsetting collections and recoveries	<u>462,780</u>	<u>245,467</u>
Obligations net of offsetting collections and recoveries	6,403,434	6,819,312
Less: Offsetting receipts	<u>3,122,436</u>	<u>3,535,400</u>
Net obligations	3,280,998	3,283,912
Other resources:		
Imputed financing from costs absorbed by others	<u>107,237</u>	<u>90,205</u>
Total resources used to finance activities	<u>3,388,235</u>	<u>3,374,117</u>
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS		
Change in budgetary resources obligated for goods, services, and benefits ordered by not yet provided	1,106,118	(199,528)
Resources that finance the acquisition of assets or liquidation of liabilities	<u>(51,215)</u>	<u>-</u>
Total resources used to finance items not part of the net cost of operations	<u>1,054,903</u>	<u>(199,528)</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components requiring or generating resources in future periods:		
Increase in annual leave liability	7,499	5,093
Increase in exchange revenue receivable from the public	-	(281,288)
Other	<u>-</u>	<u>(650)</u>
Total components of net cost of operations that will not require or generate resources in the future period	7,499	(276,845)
Components not requiring or generating resources:		
Depreciation and amortization	<u>31,648</u>	<u>36,741</u>
Total components of net cost of operations that will not require or generate resources in the current period	<u>39,147</u>	<u>(240,104)</u>
NET COST OF OPERATIONS	<u><u>\$ 4,482,285</u></u>	<u><u>\$ 2,934,485</u></u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

THE MORRIS K. UDALL FOUNDATION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
September 30, 2005 and 2004

REPORTING ENTITY

The Morris K. Udall Foundation (the Foundation) was established by the U.S. Congress in 1992 and is an executive branch agency. The President of the United States appoints its board of trustees with the advice and consent of the U.S. Senate. The Foundation is committed to educating a new generation of Americans to preserve and protect their national heritage through studies in the environment, Native American health and tribal policy, and effective public policy conflict resolution.

The U.S. Institute for Environmental Conflict Resolution (the Institute) was created by the 1998 Environmental Policy and Conflict Resolution Act to assist parties in resolving environmental conflicts around the country that involve federal agencies or interests. The Institute was established as part of the Foundation to provide a neutral place inside the federal government, but “outside the Beltway” where public and private interests can reach common ground.

BASIS OF PRESENTATION

The financial statements of the Foundation have been prepared from its accounting records to report its financial position. Such financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), the form and content requirements specified by the Office of Management and Budget’s (OMB) Circular A-136. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which has been designated as the official accounting standards-setting body for the U.S. Federal Government by the American Institute of Certified Public Accountants.

The Foundation uses both the accrual basis and budgetary basis of accounting to record transactions. Under the accrual basis, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. These financial statements were prepared following accrual accounting. Certain budgetary account balances are included in the net position section of the balance sheet.

ANNUAL APPROPRIATIONS

Annual appropriations for September 30 are as follows:

	<u>2005</u>	<u>2004</u>
Morris K. Udall Scholarship and Excellence in National Environmental Policy Trust Fund	\$ 1,996,000	\$ 1,996,000
Environmental Dispute Resolution Fund	\$ 1,309,000	\$ 1,309,000

THE MORRIS K. UDALL FOUNDATION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
September 30, 2005 and 2004

BUDGETS AND BUDGETARY ACCOUNTING

Financing sources are provided through Congressional appropriations on an annual, multi-year, and no-year basis, or through reimbursable agreements. Annual appropriations are available for incurring obligations during a specified year; multi-year appropriations are generally available for two years. No-year or "X-year" appropriations are available for obligations until the purpose for which they are provided is carried out and, therefore, for an indefinite period. For financial statement purposes, appropriations are recognized as financing sources as expenses are incurred. In addition, the Foundation uses budget-clearing accounts as needed.

Reimbursable service agreements generally recognize revenues when goods are delivered or services rendered between the Foundation and other federal agencies and the public. In addition, other financing sources are provided in the form of gifts from the public, interest on investments, and miscellaneous sales. All of these financing sources may be used to finance operating expenses and for capital expenditures, as specified by law.

USE OF ESTIMATES IN PREPARING FINANCIAL STATEMENTS

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make a number of estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

FUND BALANCES WITH THE U. S. TREASURY

The Foundation's cash receipts and disbursements are processed by the U. S. Treasury. No cash balances are maintained outside of the U. S. Treasury.

ACCOUNTS AND GRANTS RECEIVABLE

Accounts and grants receivable, including interest receivable, consists of amounts owed to the Foundation by other federal agencies and the public. These balances are presented, net of allowances for uncollectible accounts. The allowance estimates are based on past collection experience and/or an aging analysis of the outstanding balances.

INVESTMENTS

Investments are carried at historical cost in the accompanying financial statements. The unamortized premium (discount) is amortized on a straight-line basis.

PROPERTY AND EQUIPMENT

Property and equipment purchases are valued at cost and are capitalized when cost is \$2,500 or more with a useful life of more than two years.

THE MORRIS K. UDALL FOUNDATION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
September 30, 2005 and 2004

LIABILITIES

Liabilities are recognized for amounts of probable future outflows or other sacrifices of resources as a result of past transactions or events. Since the Foundation is a component of the U.S. Government, a sovereign entity, its liabilities cannot be liquidated without legislation that provides resources to do so. Payment of all liabilities other than contracts can be abrogated by the sovereign entity.

Unfunded liabilities are incurred when funding has not yet been made available through Congressional appropriations or current earnings. The Foundation recognizes such liabilities for employee annual leave earned but not taken and amounts billed by the Department of Labor (DOL) for the worker's compensation benefits. In accordance to Public Law and existing federal accounting standards, a liability is not recorded for any future payment made on behalf of current workers contributing to the Medicare Hospital Insurance Trust Fund.

REVENUES AND OTHER FINANCING SOURCES

The Foundation is a trust fund, where the primary financing source consists of interest revenue from investments. Other financing sources for The Foundation consist of imputed financing sources which are costs financed by other Federal entities on behalf of The Foundation, as required by Statement of Federal Financial Accounting Standard (SFFAS) No. 5, Accounting for Liabilities of the Federal Government. The Foundation may also accept private donations for educational activities. The activities of the U.S. Institute for Environmental Conflict Resolution, are supported by annual appropriations and fees charged for services.

EMPLOYEE LEAVE

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave account is adjusted to reflect current pay rates. To the extent that current or prior year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken. Any liability for sick leave that is accrued but not taken by a CSRS-covered employee is transferred to the Office of Personnel Management upon the retirement of that individual. No credit is given for sick leave balances upon the retirement of FERS-covered employees.

RETIREMENT PLANS

All of the Foundation employees participate in the Federal Employees Retirement System (FERS). Under FERS, the Foundation contributes the employer's matching share for Social Security and an amount equal to one percent of employee's pay to the Thrift Savings Plan. The Foundation will also match an employee's savings plan contribution up to an additional 4 percent of pay. The Office of Personnel Management (OPM) is responsible for reporting on FERS plan assets, accumulated plan benefits, and unfunded liabilities, if any, applicable to federal civilian employees.

THE MORRIS K. UDALL FOUNDATION
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
September 30, 2005 and 2004

RETIREMENT PLANS (CONTINUED)

The FASAB's SFFAS Number 5, "Accounting for Liabilities of the Federal Government," requires that employing agencies recognize the full cost of pensions, health, and life insurance benefits, during their employees' active years of service. OPM, as the administrator of the FERS plan, the Federal Employees Health Benefits Program, and the Federal Employees Group Life Insurance Program must provide the "cost factors" that adjust the agency contribution rate to the full cost for the applicable benefit programs. Accordingly, no liability is reflected on the Foundation's balance sheets, and an imputed personal cost is reflected in its operating statements.

PAYROLL PROCESSING

The General Services Administration computes employee payroll and benefits.

OBLIGATIONS RELATED TO CANCELED APPROPRIATIONS

Payments may be required of up to 1% of current year appropriations for valid obligations incurred against prior year appropriations that have been canceled. The Foundation had no canceled appropriations as of September 30, 2005 and 2004.

CONTINGENCIES

A contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to the Foundation. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. With the exception of pending, threatened, or potential litigation, a contingent liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is more likely than not, and the related future outflow or sacrifice of resources is measurable. For pending, threatened, or potential litigation, a liability is recognized when a past transaction or event has occurred, a future outflow or other sacrifice of resources is likely, and the related future outflow or sacrifice of resources is measurable.

This information is an integral part of the accompanying financial statements.

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 1 – FUND BALANCES WITH TREASURY

All of the Foundation's fund balance with treasury is coming from investment interest revenue, appropriations, fees charged for services and donations. The Trust Fund appropriation is unavailable to the foundation for general use and can be used only for investments.

	<u>2005</u>	<u>2004</u>
Fund balance with Treasury:		
Trust fund	\$ 4,337,949	\$ 4,909,254
Institute	<u>1,852,870</u>	<u>2,209,406</u>
Total	<u><u>\$ 6,190,819</u></u>	<u><u>\$ 7,118,660</u></u>
Status of fund balance with Treasury:		
Unobligated balance:		
Available	\$ 5,563,228	\$ 1,038,744
Unavailable	57,235	3,967,250
Obligated balance not yet disbursed	<u>570,356</u>	<u>2,112,666</u>
Total	<u><u>\$ 6,190,819</u></u>	<u><u>\$ 7,118,660</u></u>

NOTE 2 – INVESTMENTS

As of September 30 investments were composed of the following:

<u>2005</u>	<u>Cost</u>	<u>Unamortized Premium (Discount)</u>	<u>Investments Net</u>
Intragovernmental Securities:			
Market based notes and bonds	\$ 28,261,429	\$ 95,430	\$ 28,166,000
Accrued interest	<u>266,642</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 28,528,071</u></u>	<u><u>\$ 95,430</u></u>	<u><u>\$ 28,166,000</u></u>
<u>2004</u>	<u>Cost</u>	<u>Unamortized Premium (Discount)</u>	<u>Investments Net</u>
Intragovernmental Securities:			
Market based notes and bonds	\$ 26,282,977	\$ 25,977	\$ 26,257,000
Accrued interest	<u>232,607</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 26,515,584</u></u>	<u><u>\$ 25,977</u></u>	<u><u>\$ 26,257,000</u></u>

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 3 – GENERAL PROPERTY AND EQUIPMENT

2005

<u>ASSETS</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Equipment	\$ 250,325	\$ (209,394)	\$ 40,931
Equipment under capital lease	<u>21,968</u>	<u>(12,083)</u>	<u>9,885</u>
Total	<u>\$ 272,293</u>	<u>\$ (221,477)</u>	<u>\$ 50,816</u>

2004

<u>ASSETS</u>	<u>Acquisition Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Equipment	\$ 232,764	\$ (182,139)	\$ 50,625
Equipment under capital lease	<u>21,968</u>	<u>(7,689)</u>	<u>14,279</u>
Total	<u>\$ 254,732</u>	<u>\$ (189,828)</u>	<u>\$ 64,904</u>

NOTE 4 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities of the Foundation are classified as liabilities covered or not covered by budgetary resources. As of September 30, 2005, the Foundation showed liabilities covered by budgetary resources of \$703,940 and liabilities not covered by budgetary resources of \$116,107. As of September 30, 2004, the Foundation showed liabilities covered by budgetary resources of \$528,225 and liabilities not covered by budgetary resources of \$108,608.

At September 30, 2005 and 2004, liabilities covered by budgetary resources are composed of accounts payable of \$616,007 and \$458,764, respectively, and accrued funded payroll and leave of \$87,933 and \$69,461, respectively.

	<u>2005</u>	<u>2004</u>
With the public:		
Other (unfunded leave liability)	\$ 116,107	\$ 108,608
Total liabilities not covered by budgetary resources	\$ 116,107	\$ 108,608
Total liabilities covered by budgetary resources	\$ 703,940	\$ 528,225
Total liabilities	\$ 820,047	\$ 636,833

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 5 – OTHER LIABILITIES

As of September 30, 2005 and 2004, other liabilities with the public consist of capital lease obligation of \$1,831 and \$8,977, respectively, and deferred rent liability of \$70,020 and \$62,196, respectively.

<u>With the Public</u>	<u>Non-Current</u>	<u>Current</u>	<u>Total</u>
2005:			
Other liabilities	\$ 70,020	\$ 1,831	\$ 71,851
2004:			
Other liabilities	\$ 63,853	\$ 7,320	\$ 71,173

NOTE 6 – UNEXPENDED APPROPRIATIONS

Unobligated Appropriations are either available for obligation or not available (permanently or temporarily) pursuant to a specific provision in law. Undelivered Orders represents appropriations obligated (i.e. legally reserved) for the amount of goods or services ordered but not yet received.

	<u>2005</u>	<u>2004</u> <u>Restated</u>
Unobligated:		
Available	\$ 2,735,811	\$ 659,601
Unavailable	<u>30,771,982</u>	<u>29,311,750</u>
Total unobligated	33,507,793	29,971,351
Undelivered orders	<u>302,952</u>	<u>1,859,362</u>
Total unexpended appropriations	<u>\$ 33,810,745</u>	<u>\$ 31,830,713</u>

In 2005, OMB contacted the Foundation to clarify the reporting of unobligated balances between available and unavailable to properly reflect investments in the trust fund that are not available for current obligations. As a result, 2004 amounts have been reallocated to be consistent with the 2005 allocation method.

NOTE 7 – APPORTIONMENT CATEGORIES OF OBLIGATIONS INCURRED

The Foundation is subject to apportionment; therefore, all obligations incurred totaling \$6,866,214 and \$7,064,779 at September 30, 2005 and 2004, respectively, are category A, which is the amount of direct obligations incurred against amounts apportioned under category A on the latest SF 132.

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 8 – EXPLANATION OF THE RELATIONSHIP BETWEEN LIABILITIES NOT COVERED BY BUDGETARY RESOURCES ON THE BALANCE SHEET AND THE CHANGE IN COMPONENTS REQUIRING OR GENERATING RESOURCES IN FUTURE PERIODS

Liabilities not covered by budgetary resources total \$116,107 for 2005 and \$108,608 for 2004, and the change in components requiring or generating resources in future periods show \$7,499 for 2005 and \$5,093 for 2004. The \$7,499 is the net increase of future funded expenses – leave between fiscal 2004 and fiscal 2005 and the \$5,093 is the net increase of future funded expenses – leave between fiscal 2003 and fiscal 2004. Accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations. Whereas, the unfunded leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

	<u>2005</u>	<u>2004</u>
Liabilities not covered by budgetary resources	\$ 116,107	\$ 108,608
Change in components requiring/generating resources	\$ 7,499	\$ 5,093

NOTE 9 – LEASES

The Foundation maintains leased office space. Future lease payments due are summarized as follows:

Future payments due:

2006	\$ 253,503
2007	253,503
2008	272,516
2009	278,853
2010	278,853
Thereafter	<u>624,419</u>
Total	<u>\$ 1,961,647</u>

THE MORRIS K. UDALL FOUNDATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2005 and 2004

NOTE 10 – RESTATEMENT

During 2005, it was determined that amounts reported in the 2004 unexpended appropriations as other budgetary financing resources totaling \$1,456,000, should be reclassified to cumulative results of operations. This reclassification had no effect on total beginning net position at September 30, 2004 or 2005 net cost of operations.

Also during 2005, interest revenue totaling \$232,607 and revenue from services provided totaling \$281,288, that was earned in 2004 but not accrued, was recorded as an adjustment to beginning net position as of September 30, 2004. The 2004 financial statements have been restated as a result of these adjustments. As a result of this restatement, net cost of operations decreased by \$513,895.

The accompanying notes are an integral part of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**THE MORRIS K. UDALL FOUNDATION
REQUIRED SUPPLEMENTARY INFORMATION
TRADING PARTNER INFORMATION
September 30, 2005
(Dollars in thousands)**

<u>Agency</u>	Treasury Financial Mgmt. Dept. <u>Code</u>	<u>Assets</u>			
		<u>Fund Balance w/Treasury</u>	<u>Investments</u>	<u>Accounts Receivable</u>	<u>Other</u>
Department of Health & Human Services	75	\$ -	\$ -	\$ -	\$ -
Department of Interior	14	-	-	5,000	-
Department of Transportation	69	-	-	-	-
Department of the Treasury	20	6,190,819	28,261,429	-	266,642
Environmental Protection Agency	68	-	-	5,917	-
General Services Administration	47	-	-	-	-
Office of Personnel Management	24	-	-	-	-
All other federal agencies	18	-	-	106,861	-
TOTAL		<u>\$ 6,190,819</u>	<u>\$28,261,429</u>	<u>\$ 117,778</u>	<u>\$ 266,642</u>

Fiscal Year 2005 Activity				Liabilities				
<u>Earned Revenue</u>	<u>Gross Cost</u>	<u>Non-exchange Revenue</u>		<u>Accounts Payable</u>	<u>Environmental & Disposal Costs</u>	<u>Debt</u>	<u>Accrued Payroll & Benefits</u>	<u>Other Liabilities</u>
<u>Transfers-In</u>	<u>Out</u>							
\$ -	\$ 6,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	2,248	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	110,097	-	-	1,648	-	-	-	-
-	107,237	-	-	-	-	-	-	-
-	22,686	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 249,166</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,648</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**THE MORRIS K. UDALL FOUNDATION
REQUIRED SUPPLEMENTARY INFORMATION
TRADING PARTNER INFORMATION
September 30, 2004
(Dollars in thousands)**

<u>Agency</u>	Treasury Financial Mgmt. Dept. <u>Code</u>	<u>Assets</u>			
		<u>Fund Balance w/Treasury</u>	<u>Investments</u>	<u>Accounts Receivable</u>	<u>Other</u>
Department of Health & Human Services	75	\$ -	\$ -	\$ -	\$ -
Department of Interior	14	-	-	-	-
Department of Transportation	69	-	-	23,945	-
Department of the Treasury	20	7,118,660	26,282,977	-	-
Environmental Protection Agency	68	-	-	-	-
General Services Administration	47	-	-	-	-
Office of Personnel Management	24	-	-	-	-
All other federal agencies	18	-	-	-	-
TOTAL		<u>\$ 7,118,660</u>	<u>\$26,282,977</u>	<u>\$ 23,945</u>	<u>\$ -</u>

Fiscal Year 2004 Activity				Liabilities				
<u>Earned Revenue</u>	<u>Gross Cost</u>	<u>Non-exchange Revenue</u>		<u>Accounts Payable</u>	<u>Environmental & Disposal Costs</u>	<u>Debt</u>	<u>Accrued Payroll & Benefits</u>	<u>Other Liabilities</u>
<u>Transfers-In</u>	<u>Out</u>							
\$ -	\$ 20,090	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	7,964	-	-	-	-	-	-	-
-	2,016	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	1,090	-	-	-	-	-	-	-
-	93,564	-	-	1,234	-	-	-	-
-	90,205	-	-	-	-	-	-	-
-	2,473	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 217,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,234</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER ACCOMPANYING INFORMATION

THE MORRIS K. UDALL FOUNDATION
COMBINING BALANCE SHEET
September 30, 2005

	<u>Trust</u>	<u>Institute</u>	<u>Total</u>
ASSETS			
Intra-governmental:			
Fund balance with Treasury	\$ 4,337,949	\$ 1,852,870	\$ 6,190,819
Investments	28,261,429	-	28,261,429
Interest receivable	266,642	-	266,642
Accounts receivable	<u>-</u>	<u>117,778</u>	<u>117,778</u>
Total intra-governmental	32,866,020	1,970,648	34,836,668
Grants receivable	165,000	-	165,000
Accounts receivable	119	69,724	69,843
Other	-	400	400
General property and equipment, net	<u>2,244</u>	<u>48,572</u>	<u>50,816</u>
TOTAL ASSETS	<u>\$ 33,033,383</u>	<u>\$ 2,089,344</u>	<u>\$ 35,122,727</u>
LIABILITIES			
Intra-government:			
Accounts payable	\$ 1,648	\$ -	\$ 1,648
Accounts payable	102,995	439,513	542,508
Accrued payroll and benefits	16,184	71,749	87,933
Accrued annual leave	18,126	97,981	116,107
Other	<u>70,020</u>	<u>1,831</u>	<u>71,851</u>
Total liabilities	<u>208,973</u>	<u>611,074</u>	<u>820,047</u>
NET POSITION			
Unexpended appropriations	31,788,139	2,022,606	33,810,745
Cumulative results of operations	<u>1,036,271</u>	<u>(544,336)</u>	<u>491,935</u>
Total net position	<u>32,824,410</u>	<u>1,478,270</u>	<u>34,302,680</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 33,033,383</u>	<u>\$ 2,089,344</u>	<u>\$ 35,122,727</u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

**THE MORRIS K. UDALL FOUNDATION
COMBINING SCHEDULE OF NET COSTS
For the Year Ended September 30, 2005**

	<u>Trust</u>	<u>Institute</u>	<u>Total</u>
PROGRAM COSTS			
Intragovernmental gross costs	\$ 163,398	\$ 85,768	\$ 249,166
Less: Intragovernmental earned revenue	<u>-</u>	<u>1,636,484</u>	<u>1,636,484</u>
Total intragovernmental gross costs	<u>163,398</u>	<u>(1,550,716)</u>	<u>(1,387,318)</u>
Gross costs with the public	2,030,549	5,394,562	7,425,111
Less: Earned revenues from the public	<u>-</u>	<u>1,555,508</u>	<u>1,555,508</u>
Net costs with the public	<u>2,030,549</u>	<u>3,839,054</u>	<u>5,869,603</u>
Total program costs	<u>2,193,947</u>	<u>2,288,338</u>	<u>4,482,285</u>
NET COST OF OPERATIONS	<u><u>\$ 2,193,947</u></u>	<u><u>\$ 2,288,338</u></u>	<u><u>\$ 4,482,285</u></u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

THE MORRIS K. UDALL FOUNDATION
COMBINING SCHEDULE OF CHANGES IN NET POSITION
For the Year Ended September 30, 2005

	<u>Trust</u>		<u>Institute</u>		<u>Total</u>	
	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>	<u>Cumulative Results of Operations</u>	<u>Unexpended Appropriations</u>
BEGINNING BALANCE	\$ (275,125)	\$ 31,257,516	\$ 59,935	\$ 2,029,933	\$ (215,190)	\$ 33,287,449
ADJUSTMENTS						
Prior period adjustments – Restated	<u>1,682,016</u>	<u>(1,449,409)</u>	<u>288,615</u>	<u>(7,327)</u>	<u>1,970,631</u>	<u>(1,456,736)</u>
BEGINNING BALANCE, as adjusted	<u>1,406,891</u>	<u>29,808,107</u>	<u>348,550</u>	<u>2,022,606</u>	<u>1,755,441</u>	<u>31,830,713</u>
BUDGETARY FINANCING SOURCES						
Appropriations received	-	1,996,000	-	1,309,000	-	3,305,000
Other adjustments	-	(15,968)	-	(10,472)	-	(26,440)
Appropriations used	-	-	1,298,528	(1,298,528)	1,298,528	(1,298,528)
Other budgetary financing sources	1,797,653	-	15,361	-	1,813,014	-
OTHER FINANCING SOURCES						
Imputed financing from cost absorbed by others	<u>25,674</u>	<u>-</u>	<u>81,563</u>	<u>-</u>	<u>107,237</u>	<u>-</u>
TOTAL FINANCING SOURCES	<u>1,823,327</u>	<u>1,980,032</u>	<u>1,395,452</u>	<u>-</u>	<u>3,218,779</u>	<u>1,980,032</u>
NET COST OF OPERATIONS	<u>(2,193,947)</u>	<u>-</u>	<u>(2,288,338)</u>	<u>-</u>	<u>(4,482,285)</u>	<u>-</u>
ENDING BALANCES	<u>\$ 1,036,271</u>	<u>\$ 31,788,139</u>	<u>\$ (544,336)</u>	<u>\$ 2,022,606</u>	<u>\$ 491,935</u>	<u>\$ 33,810,745</u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

THE MORRIS K. UDALL FOUNDATION
COMBINING SCHEDULE OF BUDGETARY RESOURCES
For the Year Ended September 30, 2005

	<u>Trust</u>	<u>Institute</u>	<u>Total</u>
BUDGETARY RESOURCES			
Budget authority:			
Appropriations received	\$ 1,980,032	\$ 1,298,528	\$ 3,278,560
Net transfers	108,933	3,498,171	3,607,104
Unobligated balances – beginning of period	<u>31,825,328</u>	<u>975,152</u>	<u>32,800,480</u>
Subtotal	<u>33,914,293</u>	<u>5,771,851</u>	<u>39,686,144</u>
Spending authority from offsetting collections:			
Earned:			
Collections	350	4,616	4,966
Receivable from federal sources	<u>-</u>	<u>117,788</u>	<u>117,788</u>
Subtotal	350	122,404	122,754
Recoveries of prior year obligations	<u>56,885</u>	<u>508,224</u>	<u>565,109</u>
Total budgetary resources	<u>\$ 33,971,528</u>	<u>\$ 6,402,479</u>	<u>\$ 40,374,007</u>
STATUS OF BUDGETARY RESOURCES			
Obligations incurred:			
Direct	\$ 1,960,205	\$ 4,906,009	\$ 6,866,214
Unobligated balance:			
Apportioned	1,239,341	1,496,470	2,735,811
Unobligated balances not available	<u>30,771,982</u>	<u>-</u>	<u>30,771,982</u>
Total status of budgetary resources	<u>\$ 33,971,528</u>	<u>\$ 6,402,479</u>	<u>\$ 40,374,007</u>
RELATIONSHIP OF OBLIGATIONS TO OUTLAYS			
Obligated balance, net, beginning of period	\$ 572,191	\$ 1,540,474	\$ 2,112,665
Obligated balance, net, end of period:			
Undelivered orders	157,727	145,225	302,952
Accounts payable	<u>207,308</u>	<u>489,803</u>	<u>697,111</u>
Outlays:			
Disbursements	2,211,852	5,157,850	7,369,702
Collections	<u>(350)</u>	<u>(4,616)</u>	<u>(4,966)</u>
Subtotal	2,211,502	5,153,234	7,364,736
Less: Offsetting receipts	<u>-</u>	<u>3,122,436</u>	<u>3,122,436</u>
Net outlays	<u>\$ 2,211,502</u>	<u>\$ 2,030,798</u>	<u>\$ 4,242,300</u>

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

**THE MORRIS K. UDALL FOUNDATION
COMBINING SCHEDULE OF FINANCING
For the Year Ended September 30, 2005**

	<u>Trust</u>	<u>Institute</u>	<u>Total</u>
RESOURCES USED TO FINANCE ACTIVITIES			
Budgetary resources obligated:			
Obligations incurred	\$ 1,960,205	\$ 4,906,009	\$ 6,866,214
Less: Spending authority from offsetting collections and recoveries	<u>350</u>	<u>462,430</u>	<u>462,780</u>
Obligations net of offsetting collections and recoveries	1,959,855	4,443,579	6,403,434
Less: Offsetting receipts	<u>-</u>	<u>3,122,436</u>	<u>3,122,436</u>
Net obligations	1,959,855	1,321,143	3,280,998
Other resources:			
Imputed financing from costs absorbed by others	<u>25,674</u>	<u>81,563</u>	<u>107,237</u>
Total resources used to finance activities	<u>1,985,529</u>	<u>1,402,706</u>	<u>3,388,235</u>
RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS			
Change in budgetary resources obligated for goods, services, and benefits ordered but not yet provided	260,009	846,109	1,106,118
Resources that finance the acquisition of assets or liquidation of liabilities	<u>(48,972)</u>	<u>(2,243)</u>	<u>(51,215)</u>
Total resources used to finance items not part of the net cost of operations	<u>211,037</u>	<u>843,866</u>	<u>1,054,903</u>
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD			
Components requiring or generating resources in future periods:			
Increase (decrease) in annual leave liability	<u>(3,409)</u>	<u>10,908</u>	<u>7,499</u>
Total components of net cost of operations that will not require or generate resources in the future period	(3,409)	10,908	7,499
Components not requiring or generating resources:			
Depreciation and amortization	<u>790</u>	<u>30,858</u>	<u>31,648</u>
Total components of net cost of operations that will not require or generate resources in the current period	<u>(2,619)</u>	<u>41,766</u>	<u>39,147</u>
NET COST OF OPERATIONS	<u>\$ 2,193,947</u>	<u>\$ 2,288,338</u>	<u>\$ 4,482,285</u>

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

APPENDIX A
MANAGEMENT RESPONSE TO AUDITOR
INTERNAL CONTROL REPORT
September 30, 2005

APPENDIX A
THE MORRIS K. UDALL FOUNDATION
MANAGEMENT RESPONSE TO AUDITOR
INTERNAL CONTROL REPORT
September 30, 2005

This section of the report represents Management Response to the Conditions and Recommendations included in the Independent Auditor's Report on Internal Control dated November 10, 2005, beginning on page ___ of this document. The specific Conditions and Recommendations should be read in connection with the following Management Responses.

1. PREPARATION AND ANALYSIS OF FINANCIAL STATEMENTS

Management Response:

As noted earlier in the audit report, the U.S. General Services Administration's (GSA) Finance Center, a federal financial management center of excellence, performs necessary payroll and financial services for the Foundation. Examples of the services are: Furnishing all necessary payroll support functions; receipt and disbursement of funds; financial reporting and related accounting functions; and execution of all investments in Treasury obligations, the only investment vehicle available to the Foundation. The audit considers GSA to be part of the Foundation's management.

The FY05 audit had one reportable condition. Currently, in the opinion of the audit, the GSA-produced financial statements do not include certain adjustments necessary for accrual-based accounting.

Since last year's audit, GSA and the Foundation have made considerable efforts to improve communications and data flow with excellent results. Management is very pleased with the level of service provided by GSA. As the audit report points out, there remain areas for improvement. Management expects continuous improvement in financial processes and is confident that all necessary steps have been taken to follow the recommendation of the audit and to achieve further improvement.



Morris K. Udall Foundation

CIVILITY, INTEGRITY, CONSENSUS

130 South Scott Avenue, Tucson, AZ 85701
Telephone: 520.670.5299 Fax: 520.670.5530
Website: www.udall.gov

